

## **Corporate Governance Guidelines of Drive Shack Inc.**

**Effective as of January 1, 2018**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the "Board") of Drive Shack Inc. (the "Company") to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term stockholder value. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, including the Maryland corporations law, or the Charter or Bylaws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board.

### **THE BOARD**

#### **Role of Directors**

The Company's Board of Directors oversees and provides policy guidance on the business and affairs of the Company. It monitors overall corporate performance and the integrity of the Company's controls. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings.

#### **Directors' Duties**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's officers, employees, outside advisors and independent auditors.

#### **Selection of the Chairman of the Board**

The Board does not require the separation of the offices of the Chairman of the Board and the Chief Executive Officer. The Board shall be free to choose its Chairman of the Board in any way that it deems best for the Company at any given point in time.

#### **Size of the Board**

The Board believes that it should generally have no fewer than 3 and no more than 8 directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability.

#### **Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The

Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating and Corporate Governance Committee shall also consider advice and recommendations from others as it deems appropriate.

### **Board Membership Criteria**

Nominees for director shall be selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment and willingness to devote adequate time and effort to Board responsibilities.

The Nominating and Corporate Governance Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

The Board believes that the number of shares of the Company's stock owned by each director is a personal decision and encourages stock ownership.

### **Other Public Company Directorships**

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit. However, the Nominating and Corporate Governance Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

### **Independence of the Board**

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE"). The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence.

### **Directors Who Change Their Present Job Responsibility**

The Board does not believe that non-employee directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. Promptly following such event, the director must notify the Nominating and Corporate Governance Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Nominating and Corporate Governance Committee's recommendation following any such review.

## **Retirement Age**

It is the general policy of the Company that no director having attained the age of 70 years shall be nominated for re-election or reappointment to the Board. However, the Board may determine to waive this policy in individual cases.

## **Director Tenure**

In connection with each director nomination recommendation, the Nominating and Corporate Governance Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's re-nomination is dependent upon such director's performance evaluation, as well as a suitability review, each to be conducted by the Nominating and Corporate Governance Committee in connection with each director nomination recommendation.

## **Board Compensation**

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation. The Board will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. Such review may also include a review of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Changes to director compensation will be proposed to the full Board for consideration.

Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company; provided, however, that a member of the Audit Committee may also receive pension or other forms of deferred compensation from the Company for prior service so long as such compensation is not contingent in any way on continued service.

## **Self-Evaluation by the Board**

The Nominating and Corporate Governance Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The Nominating and Corporate Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and

making recommendations to the Board with respect to assignments of Board members to various committees.

### **Board Access to Management**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors as well as to independent counsel at the Company's expense. Board members shall coordinate such access through the Chief Executive Officer, President and Chief Financial Officer and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

### **Attendance of Management Personnel at Board Meetings**

The Board encourages the Chief Executive Officer to bring members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve management; (ii) make presentations to the Board on matters which involve management; and (iii) bring managers with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

### **Communications**

It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the Company's primary spokesperson. Directors should not discuss matters relating to the Company's business and affairs with third parties other than management or advisors without the approval of the Chairperson of the Board, the President or the Company's Counsel ("Counsel").

### **Confidentiality**

No director shall use Confidential Information (as defined below) for his, her or any other person's or entity's personal benefit other than for the benefit of the Company; and no director shall directly or indirectly (including through agents, representatives or others acting on behalf or with permission of such director) disclose Confidential Information outside the Company, either during or after his or her services as a director of the Company, except with advance authorization of the Board or its designee (including a Board approved confidentiality agreement), or as may otherwise be required by law. Disclosure by a director of Confidential Information to an advisor to any of the Company, a committee of the Board or the director in his or her capacity as a director shall not be considered disclosure outside the Company, provided that such advisor has a professional or contractual obligation to maintain the confidentiality of such information and the director does not waive such obligation without advance authorization of the Board or its designee, or as may otherwise be required by law.

For purposes of these Corporate Governance Guidelines, Confidential Information includes all information (in whatever form maintained or retained, including in print, electronically or human memory, and of whatever type, including facts, opinions, statements, assertions or impressions) derived from or relating to the Company, including information designated or treated by or

within the Company as confidential, proprietary or sensitive (competitively or otherwise) as a matter of policy, legal privilege or work product, practice or otherwise, including any information directly or indirectly related to the Company the disclosure of which outside the Company presents a reasonable possibility of resulting in harm to the Company (including economic harm and other forms of harm such as reputational harm, internal or external disruption, interference with the ability to negotiate business transactions, potential loss of or difficulty in hiring management and other employees, and distraction of focus on Company matters). Without limiting the foregoing, Confidential Information includes non-public information concerning (a) the Company's strategy, business, financial condition, prospects or plans, capital allocation plans or policies, marketing and sales programs, research and development activities, regulatory status or matters, acquisitions and divestitures, and actions relating to the Company's stock, (b) possible transactions with other companies or third parties and information about the Company's customers, suppliers, licensors or joint venture or business partners, and (c) the proceedings and deliberations of the Board and its committees, and the discussions and decisions between and among Company employees, officers and directors and their advisors, including the views of individual directors and officers.

If a director has a question regarding how to treat any information under these Corporate Governance Guidelines, in advance of any disclosure of such information the question should promptly be raised with Counsel and a substantive response received. If disclosure of information by a director occurs in violation or arguably in violation of these Corporate Governance Guidelines, the content and circumstances of such disclosure should be reported immediately to Counsel.

### **Board Orientation and Continuing Education**

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. Counsel shall be responsible for ensuring that directors are periodically apprised of matters relevant to their roles and responsibilities.

## **BOARD MEETINGS**

### **Frequency of Meetings**

There shall be at least four regularly scheduled meetings of the Board each year.

### **Selection of Agenda Items for Board Meetings**

The Chairman of the Board and Chief Executive Officer should establish the agenda for Board meetings. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is also free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board shall meet at least once a year in executive session without any members of management, whether or not they are directors. There shall be a single presiding director at all executive sessions, with the presiding director to rotate among the non-management directors in alphabetical order (unless the director who would otherwise be

presiding director at the applicable session shall not be present in which case the next in order director shall preside); however the directors meeting in executive session shall have to formulate and disclose the manner by which a presiding director shall be selected for each executive session. If, however, one director is chosen to preside at all executive sessions, his or her name shall be disclosed in the annual proxy statement.

### **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

## **COMMITTEE MATTERS**

### **Number and Names of Board Committees**

The Company shall have three standing committees: Audit, Compensation and Nominating and Corporate Governance. The purpose and responsibilities for at least the Audit, Nominating and Corporate Governance and Compensation Committees shall be outlined in committee charters adopted by the Board. The Board may want, from time to time, to form a new committee or disband a current committee depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

### **Independence of Board Committees**

Each of the Audit Committee and the Nominating and Corporate Governance Committee shall be composed entirely of Independent Directors satisfying applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

### **Assignment and Rotation of Committee Members**

The Nominating and Corporate Governance Committee shall be responsible, after consultation with the Chairman of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Nominating and Corporate Governance Committee's recommendations, the Board shall be responsible for appointing the Chairman and members to the committees on an annual basis.

The Nominating and Corporate Governance Committee shall annually review the Committee assignments and shall consider the rotation of the Chairman and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

## **LEADERSHIP DEVELOPMENT**

### **Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

### **Evaluation of Chief Executive Officer**

The Board, acting through the Compensation Committee of the Company, will annually conduct an evaluation of the performance of the Company's Chief Executive Officer. The Compensation Committee shall establish policies, principles and procedures, as it deems appropriate, for the evaluation of the Chief Executive Officer. Such evaluation shall be based on objective criteria, including performance of the Company, accomplishment of long-term strategic objectives and development of management. The evaluation shall solicit the views of the Independent Directors regarding the Chief Executive Officer's performance. The Chairperson of the Compensation Committee shall communicate the evaluation to the Chief Executive Officer.

### **Succession Planning**

The Board shall plan for the succession to the position of the Chief Executive Officer. To assist the Board, if requested by the Board, the Chief Executive Officer shall prepare and distribute to the Board any materials, including recommendations and evaluations of potential successors, that the Chief Executive Officer deems necessary or that the Board may request from time to time.